

Message Text

CONFIDENTIAL

PAGE 01 TANANA 00125 01 OF 02 240720Z

13

ACTION AF-06

INFO OCT-01 EUR-12 ISO-00 EB-07 L-02 FEA-01 AEC-05 AID-05

CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00 FPC-01 H-01

INR-07 INT-05 NSAE-00 NSC-05 OMB-01 PM-03 RSC-01

SAM-01 OES-03 SP-02 SS-15 STR-01 TRSE-00 FRB-03 PA-01

USIA-06 PRS-01 OC-05 CCO-00 /103 W
----- 021409

R 231250Z JAN 75

FM AMEMBASSY TANANARIVE

TO SECSTATE WASHDC 6859

INFO AMEMBASSY LONDON

AMEMBASSY PARIS

C O N F I D E N T I A L SECTION 1 OF 2 TANANARIVE 0125

E.O. 11652: GDS

TAGS: EINV MA

SUBJECT: MALAGASY GOVT CHARGES AGAINST OIL MARKETING COMPANIES

REF: A. STATE 14339 (NOTAL); B. TANANARIVE 0110

BEGIN SUMMARY: I HAVE RAISED OIL COMPANY PROBLEM WITH
MINISTER TERRITORIAL FEVELOPMENT GENERAL ANDRIAMHAZO. HE
OFFERED TAKE IT UP WITH MINISTER ECONOMY AND FINANCE.
I HAVE INFORMED BOTH CALTEX AND ESSO MANAGERS OF APPROACH AND
SHALL TELL BRITISH AMBASSADOR. ESSO HAS SIGNED AND SUBMITTED
WITH EXPLANATIONS GOMR REPORTS ON INVESTIGATIONS OF FOREIGN
EXCHANGE REPATRIATION, AND CALTEX NOW IN PROCESS OF DOING
SAME. ECONOMIC AND FINANCE ADVISOR TO HEAD OF GOVT HAS
PROPOSED MEETING OF
OIL COMPANY AND GOMR REPS, WHICH BOTH CALTEX
AND ESSO MANAGERS INCLINED INTERPRET AS HOPEFUL SIGN. END
SUMMARY.

1. I TOOK OPPORTUNITY OF FIRST CALL (JAN 22) ON GENERAL

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PAGE 02 TANANA 00125 01 OF 02 240720Z

ANDRIAMHAZO SINCE MY RETURN TO RAISE OIL COMPANY PROBLEM

WITH HIM. THOUGH NOT DIRECTLY IN HIS DOMAIN, I DECIDED ON THIS ACTION BECAUSE OF INFORMATION THAT MATTER HAD ALREADY BEEN DISCUSSED WITHOUT DECISION AT CABINET MEETING, AND MY BELIEF THAT ANDRIAMHAZO COULD BE USEFUL TO OUR SIDE AS MATTER WILL PRESUMABLY COME UP IN CABINET AGAIN.

2. I BRIEFLY RECOUNTED SITUATION TO ANDRIAMHAZO AS WE UNDERSTAND IT: OIL COMPANIES ARE CHARGED BY GOMR WITH VIOLATION OF FOREIGN EXCHANGE REGULATIONS IN CONNECTION WITH REPATRIATION OF PROCEEDS OF EXPORT SALES FROM REFINERY. SHELL HAS BEEN NOTIFIED OF LARGE FINE SEVERAL TIMES VALUE ITS ASSETS IN MADAGASCAR, AND OTHER COMPANIES APPREHENSIVE ABOUT SIMILAR LEVY. OIL COMPANIE -- AT LEAST CALTEX WITH WHOM WE HAVE TALKED -- STATE FOREIGN EXCHANGE HAS IN FACT BEEN REPATRIATED, BUT APPARENTLY NOT WITHIN TIME LIMITS ESTABLISHED BY CIRCULAR WHICH WAS ISSUED BY MINISTRY ECONOMY AND FINANCE TO BANKS, BUT OF WHICH OIL COMPANIES HAD NO COGNIZANCE.

3. ANDRIAMHAZO, WHO SHOWED SOME AWARENESS OF SITUATION, AT THIS POINT TOOK NOTES, INDICATED HE DID NOT SEE HOW OIL COMPANIES COULD BE RESPONSIBLE IF THEY WERE UNAWARE OF CIRCULAR, AND VOLUNTEERED TO TAKE MATTER UP WITH MINISTER ECONOMY AND FINANCE.

4. I POINTED OUT THAT, IF AMERICAN COMPANIES SUBJECTED TO LARGE FINE UNDER CIRCUMSTANCES INDICATED, IT COULD BRING INTO PLAY PROVISIONS OF AMERICAN LAW ABOUT NATIONALIZATION OF AMERICAN ASSETS WITHOUT COMPENSATION, WITH SERIOUS IMPLICATIONS FOR AMERICAN AID AND EXTENSION OF GENERALIZED TRADE PREFERENCES TO MADAGASCAR. THOUGH I DOUBT ANDRIAMHAZO TOOK IN ALL THESE IMPLICATIONS, HE READILY SEIZED ESSENTIAL POINT THAT SERIOUS DIFFICULTIES IN AMERICAN-MALAGASY RELATIONS COULD ARISE OUT OF HANDLING OF OIL COMPANY PROBLEM.

5. HE CONFIRMED THAT MATTER HAD BEEN DISCUSSED AT CABINET LEVEL, BUT SAID ONLY IN PRELIMINARY WAY. COMMENT: THIS WOULD SEEM CONFIRM THAT DECISION STILL OPEN, AND THEREFORE INDICATES THAT INTERVENTION AT THIS POINT THROUGH ANDRIAMHAZO TIMELY. END COMMENT.

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PAGE 03 TANANA 00125 01 OF 02 240720Z

6. I PROMPTLY INFORMED CALTEX MANAGER DASHIELL ABOUT ABOVE APPROACH (EXCEPT FOR PARA 4 ON IMPLICATIONS FOR US-MALAGASY RELATIONS). I ALSO RELAYED DEPT'S OFFER OF USE OF OUR FACILITIES FOR SENSITIVE COMMUNICATIONS WITH HIS HEAD-QUARTERS. HE EXPRESSED APPRECIATION ON BOTH COUNTS.

7. DASHIELL BEGAN JAN 22 TO SIGN AND SUBMIT, WITH CALTEX EXPLANATIONS, GOMR "PROCES VERBAUX" ON INVESTIGATIONS OF

FOREIGN EXCHANGE REPATRIATION, AND EXPECTS HAVE COMPLETED THEM BY BEGINNING NEXT WEEK.

8. DASHIELL ELABORATED TO ME ON CALTEX FOREIGN EXCHANGE ACTIONS: ALL FOREIGN EXCHANGE WITH RESPECT TO EXPORTS SINCE 1971 HAS BEEN REPATRIATED. HOWEVER, SUBSTANTIAL AMOUNT WAS NOT REPATRIATED UNTIL GOMR INVESTIGATION STARTED. ONE REASON FOR DELAY WAS THAT CALTEX HAD INTENDED TO PROPOSE OFFSET OF FOREIGN EXCHANGE OWED BY MADAGASCAR FOR CRUDE AGAINST FOREIGN EXCHANGE OWED TO MADAGASCAR FOR EXPORTS OF REFINED PRODUCTS, BUT EVIDENTLY NEVER DID SO EXCEPT VERBALLY TO GOMR OFFICIAL. (DASHIELL NOTED THAT OFFSET POINT CANNOT REALLY BE USED WITH GOMR AS OFFSET HAS BEEN ILLEGAL SINCE 1968.) SECOND REASON FOR DELAY WAS THAT CALTEX WAS HOLDING FOREIGN EXCHANGE FROM EXPORTS AS GUARANTEE FOR PAYMENT OF FOREIGN EXCHANGE FOR CRUDE SINCE DEBT OWED BY MADAGASCAR WAS GREATER THAN DEBT OWED TO MADAGASCAR. DASHIELL CONCEDES THAT SPIRIT OF MALAGASY REGULATIONS WAS NOT MET IN VIEW OF DELAYS IN REPATRIATION, BUT CALTEX/NEW YORK HEADQUARTERS NOT PREPARED CONCEDE EVEN THAT. DASHIELL ALSO FEELS SOME FINE WOULD BE JUST (THOUGH NOT EXORBITANT AMOUNT LEVIED ON SHELL), BUT CALTEX/NEW YORK NOT PREPARED AS YET TO AGREE TO ANY FINE. DASHIELL IS STILL TRYING DETERMINE WHETHER ALL FOREIGN EXCHANGE RELATED TO EXPORTS PRIOR HIS ARRIVAL IN 1971 HAS BEEN REPATRIATED BY CALTEX.

9. DASHIELL SAID THAT RAYMOND RABENORO, MALAGASY ECONOMIC AND FINANCIAL ADVISOR TO HEAD OF GOVT, HAS CALLED NEW MALAGASY MANAGER OF SHELL TO SAY THAT REPORT GOING AROUND THAT HE IS OUT TO GET OIL COMPANIES IS NOT TRUE, AND PROPOSED MEETING WITH COMPANIES TO DISCUSS PROBLEM. THOUGH DATE OF MEETING NOT YET FIXED, DASHIELL INCLINED REGARD RABENORO INITIATIVE CONFIDENTIAL

CONFIDENTIAL

PAGE 04 TANANA 00125 01 OF 02 240720Z

AS HOPEFUL SIGN, AND OIL COMPANIES PLANNING PRIOR MEETING AMONG THEMSELVES TO TRY DEVELOP COMMON LINE FOR SUBSEQUENT SESSION WITH MALAGASY AUTHORITIES. (DASHIELL MADE NO MENTION OF ANY FOLLOW-UP WITH RABENORO ON DASHIELL'S EARLIER PROPOSAL WITH RESPECT HIS TEMPORARY DEPARTURE FROM MADAGASCAR, AND I DID NOT RAISE MATTER WITH HIM. RE REF A, HOWEVER, DASHIELL IS DEFINITELY WORRIED ABOUT POSSIBILITY OF IMPRISONMENT.)

CONFIDENTIAL

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PAGE 01 TANANA 00125 02 OF 02 240728Z

13

ACTION AF-06

INFO OCT-01 EUR-12 ISO-00 EB-07 L-02 FEA-01 AEC-05 AID-05

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R 231250Z JAN 75

FM AMEMBASSY TANANARIVE

TO SECSTATE WASHDC 6860

INFO AMEMBASSY LONDON

AMEMBASSY PARIS

C O N F I D E N T I A L SECTION 2 OF 2 TANANARIVE 0125

10. ESSO MANAGER GAUTRET CALLED AT EMBASSY JAN 23 AND GAVE LYD-KEY PRESENTATION OF ESSO SITUATION. HE HAS SIGNED AND SUBMITTED WITH EXPLANATIONS ALL GOMR "PROCES VERBAUX" RELATING TO INVESTIGATIONS OF ESSO. HE TOLD EMBASSY ESSO HAS OFTEN BEEN 2-5 MONTHS LATE ON REPATRIATION OF FOREIGN EXCHANGE, BUT FEELS IT HAS DONE NOTHING WRONG AS IT WAS NOT AWARE OF MINISTRY ECONOMY AND FINANCE CIRCULAR SENT TO BANKS REQUIRING REPATRIATION WITHIN ONE MONTH. STATED THAT AMOUNT OWED FOR CRUDE ALWAYS EXCEEDED AMOUNT AWAITING REPATRIATION FOR EXPORTS. CONFIRMED NO FINE LEVIED ON ESSO AT THIS POINT.

11. GAUTRET IS CLEARLY NOT AS PERSONALLY CONCERNED OVER SITUATION AS DASHIELL. REASON APPARENTLY IS THAT CALTEX DELAYS IN REPATRIATION WERE MUCH LONGER THAN ESSO'S AND MORE DIFFICULT TO JUSTIFY TO GOMR. GAUTRET COMMENTED THAT SHELL'S CASE MORE SERIOUS THAN ESSO'S AS SHELL EVIDENTLY "NEGLIGENT" IN SEVERAL CASES OF REPATRIATION.

12. I INFORMED GAUTRET ABOUT MY APPROACH TO ANDRIAMHAZO
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 TANANA 00125 02 OF 02 240728Z

(ALONG SAME LINES I HAD INFORMED DASHIELL), AND HE APPEARED REGARD IT AS HELPFUL. HE MADE CLEAR, HOWEVER, THAT ESSO HAS

REFRAINED FROM APPROACHING DEPT BECAUSE ESSO DOES NOT AT THIS STAGE VIEW STRONG DIPLOMATIC REPRESENTATIONS AS APPROPRIATE IN THEIR CASE.

13. GAUTRET UNDERSTANDS THAT, WITHIN GOMR, MINISTER ECONOMY AND FINANCE HAS TAKEN MODERATE STAND ON OIL COMPANY PROBLEM AND THAT FOREIGN MINISTER RATSIRAKA, WHILE ORIGINALLY INCLINED TOWARDS STRONG ACTION, HAS NOW TAKEN POSITION THAT INVESTIGATION SHOWS OIL COMPANIES DID NOT SERIOUSLY VIOLATE MALAGASY REGULATIONS. ON OTHER HAND, STRONG ACTION, ACCORDING GAUTRET, HAS BEEN URGED BY CERTAIN IMMEDIATE ADVISORS TO HEAD OF GOVT.

14. HOWEVER, GAUTRET CONFIRMED RABENORO'S PROPOSAL, AND SAID HE EXPECTED "ROUND TABLE" MEETING OF GOMR AND OIL COMPANY REPS. LIKE DASHIELL, HE THOUGHT RABENORO INITIATIVE SHOULD PROBABLY BE INTERPRETED AS HOPEFUL SIGN.

15. I SHALL INFORM BRITISH AMB ABOUT APPROACH TO ANDRIAMAHAZO ALONG SAME LINES AS I HAVE TOLD CALTEX AND ESSO MANAGERS.

16. RE LAST PARA REF A, INFORMATION OF BOTH CALTEX AND ESSO MANAGERS IS THAT THERE ARE 12-15 FRENCH BUSINESSMEN OR BUSINESS EMPLOYEES (INCLUDING TWO FRENCH EMPLOYED BY COMPAGNIE MARSEILLAISE DE MADAGASCAR) NOW HELD IN JAIL BY GOMR ON VARIOUS CHARGES. GOMR HOLDING OF "ESSO AGENTS" RELATES TO FACT THAT IN SEVERAL PARTS OF MADAGASCAR, COMPAGNIE MARSEILLAISE ACTS AS ESSO AGENT. THERE ARE ALSO UNDERSTOOD BE ABOUT 50-60 FRENCH BUSINESSMEN OR BUSINESS EMPLOYEES NOT PERMITTED LEAVE MADAGASCAR BECAUSE OF INVESTIGATIONS UNDER WAY BY GOMR WITH RESPECT THEIR FIRMS. MENDENHALL

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